

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION OF)
ARTESIAN WATER COMPANY, INC. FOR THE)
APPROVAL OF THE SEMI-ANNUAL)
ADJUSTMENT TO THE DISTRIBUTION SYSTEM) PSC DOCKET NO. 16-1085
IMPROVEMENT CHARGE PURSUANT TO)
26 *DEL. C.* § 314 (B) (5))
(FILED NOVEMBER 29, 2016))

ORDER NO. 9238

AND NOW, this 19th day of June 2018, the Delaware Public Service Commission ("Commission") determines and orders the following:

WHEREAS, under the provisions of 26 *Del. C.* § 314, a water utility may calculate and collect a "Distribution System Improvement Charge" ("DSIC Rate"), allowing it to begin recovering depreciation expenses and a return on capital invested in "eligible distribution system improvements" put into service between rate cases; and

WHEREAS, under the statutory scheme, a particular water utility's DSIC Rate, once initiated, may thereafter be adjusted on a semi-annual basis to reflect eligible improvements put into service within the preceding six months. See 26 *Del. C.* § 314(b) (3) and (b) (5));¹ and

¹The Commission has explained the DSIC Rate mechanism in detail in PSC Order No. 5850 (December 11, 2001).

WHEREAS, on November 29, 2016, Artesian Water Company, Inc. ("Artesian") filed an application in PSC Docket No. 16-1085 to reset its DSIC Rate to 4.71% effective January 1, 2017; and

WHEREAS, on December 20, 2016, the Commission adopted Order No. 9006, which opened Docket No. 16-1085 and approved Artesian's application to reset its DSIC Rate to 4.71% effective January 1, 2017, subject to Commission Staff's ("Staff") annual review, audit, and reconciliation; and

WHEREAS, Artesian elected not to file an application for approval to adjust its DSIC Rate in May 2017. Therefore, the DSIC Rate of 4.71% carried over for the period of July 1, 2017 through December 31, 2017; and

WHEREAS, On February 7, 2018, Staff sent a letter to the water companies utilizing the DSIC, notifying them of a potential error in their calculation of their pre-tax rate of return; and

WHEREAS, on April 12, 2018, Staff began conducting a review and audit of Artesian's DSIC components and calculations contained in Docket No. 16-1085. Artesian supplied schedules and workpapers showing adjustments made to its pre-tax rate of return for Docket No. 16-1085; and

WHEREAS, aside from the pre-tax rate of return, Staff found that the numbers were in compliance with the Delaware Code and the DSIC Rates which the Commission previously approved in Order No. 9006. Specifically, Staff found that: (i) Artesian's overall rate of return did not exceed its authorized overall rate of return; (ii) Artesian collected \$3,136,227 in DSIC revenues for PSC Docket

No. 16-1085 during the period January 1, 2017 through December 31, 2017, which was \$430,863 above the DSIC revenue requirement for this period; (iii) the plant portion of Artesian's DSIC calculation was accurate; and (iv) the total depreciation as calculated by Artesian agreed with its general ledger; and

WHEREAS, Staff's review and audit of Artesian's DSIC components and calculations determined that the error relating to the calculation of the Pre-tax rate of return carried over into DSIC revenues collected during the period January 2018 through June 2018. In addition, DSIC revenues collected during the period February 2018 through June 2018 did not reflect a reduction to the Federal Income Tax rate afforded by the Tax Cuts and Jobs Act. As a result, there was likely an over collection of the DSIC revenue requirement for the period January 2018 through June 2018. However, the actual over collection is not yet known with certainty as actual 2018 revenues are not yet known. Any over collection of the revenue requirement for the period January 2018 through June 2018 will be credited to ratepayers, with interest, in Artesian's next DSIC filing; and

WHEREAS, Staff found that the annual reconciliation for PSC Docket No. 16-1085 produced a total over-collection of \$430,863 for the period January 1, 2017 - June 30, 2017. This over-collection will be reconciled with interest for a total amount of \$447,109 in Artesian's current pending DSIC Rate application in PSC Docket No. 18-0474; and

WHEREAS, based on Staff's audit of the additional plant claimed by Artesian in Docket No. 16-1085 and the revenues collected by Artesian under this DSIC Rate, Staff recommends that Artesian's DSIC Rate of 4.71% for January 1, 2017 through December 31, 2017, be approved as final; and

WHEREAS, Staff further reports that it has shared its findings with Artesian and the Delaware Division of the Public Advocate, and all parties are in agreement;

**NOW THEREFORE, IT IS ORDERED BY THE AFFIRMATIVE
VOTE OF NOT FEWER THAN THREE COMMISSIONERS:**

1. Under the provisions of 26 Del. C. § 314, the Commission hereby approves Artesian's 2017 DSIC Rate of 4.71% (effective January 1, 2017, through December 31, 2017) as previously allowed to go into effect in Order No. 9006 (December 20, 2016).

2. Nothing in this Order shall preclude the examination and challenge of Artesian's claims in any base rate proceeding.

3. The annual audit of the filing made in PSC Docket No. 16-1085 for the period January 1, 2017 through December 31, 2017 is concluded.

4. The Commission reserves the jurisdiction and authority to enter such further orders in these dockets as may be deemed necessary or proper.

BY ORDER OF THE COMMISSION:

Chair

Commissioner

Commissioner

Commissioner

Commissioner

ATTEST:

Secretary